

Message Text

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21

ACTION AF-07

INFO OCT-01 EUR-12 ISO-00 SAM-01 SP-02 AID-05 EB-07 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

SWF-01 AGR-05 COME-00 CIAE-00 INR-05 NSAE-00 SSO-00

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FM AMCONSUL LOURENCO MARQUES

TO SECSTATE WASHDC IMMEDIATE 3085

INFO AMEMBASSY GABORONE

AMEMBASSY LISBON PRIORITY

AMEMBASSY MBABANE

C O N F I D E N T I A L LOURENCO MARQUES 1089

E.O. 11652: GDS

TAGS: ECON, EFIN, MZ, PO

SUBJECT: REQUEST FOR CLARIFICATION OF MOZAMBIQUE FINANCE

REF: (A) STATE 262050 (NOTAL) (B) LISBON 5232 (NOTAL)

1. BY NOW DEPARTMENT SHOULD HAVE RECEIVED OUR A-181 AND A-182 (DATED NOV 20 AND NOV 27 RESPECTIVELY) WHICH CONTAIN CONSIDERABLE ADDITIONAL ECONOMIC AND FINANCIAL INFORMATION RELEVANT TO QUESTIONS IN REFTEL (A).

2. OUR COMMENTS (BY PARAGRAPH) ON FINANCIAL ANALYSIS IN REFTEL (A) ARE FOLLOWING:

(A) PARA 1: CONCUR WITH ANALYSIS, IF PARCIDIO COSTA'S TRADE PROJECTIONS PROVE BE ACCURATE. OTHER SOURCES, HOWEVER, BELIEVE BALANCE OF TRADE DEFICIT WILL BE HIGHER BECAUSE OF LAGGING EXPORTS, ADVERSELY AFFECTED BY DISRUPTION OF PRODUCTION, TRANSPORTATION (E.G. INSUFFICIENT SHIPS TO PORTUGAL AND LOCOMOTIVES LOCALLY), AND MARKETING CHANNELS FROM COUNTRY-SIDE TO PORT.

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KB) PARA 2: CONCUR WITH ANALYSIS, PARTICULARLY RE NET REPAYMENTS SHORT TERM CREDITS. AS ONE MEASURE TO COUNTERACT IMPACT, MOZAMBIQUE GOVERNMENT NOW REQUIRING ALL EXPORTS BE UNDERTAKEN ON LETTER OF CREDIT BASIS AND THUS IMMEDIATELY DISCOUNTABLE FOR FOREIGN EXCHANGE.

(C) PARA 3: WE ARE UNABLE TO OBTAIN ANY INFORMATION ON MAGNITUDE OF CAPITAL TRANSFERS, LEGAL AND ILLEGAL. (PERHAPS EMBASSY LISBON CAN OBTAIN FURTHER INFO.) EXCEPT FOR NET CREDIT REPAYMENTS, HOWEVER, LEGAL CAPITAL TRANSFERS RESULTING IN LOSS OF FOREIGN EXCHANGE PROBABLY NEGLIGIBLE. MOST PEOPLE DEPARTING ARE CONVERTING SUBSTANTIAL PORTION OF ASSETS INTO FURNITURE, CARS, APPLIANCES, JEWELRY--ESSENTIALLY LUXURY CONSUMER GOODS--WHICH THEY CAN TAKE WITH THEM. SINCE THESE KINDS OF GOODS ARE NOT BEING IMPORTED PRESENTLY, THEY ARE NOT PLACING ADDITIONAL BURDEN ON BALANCE OF PAYMENTS. LARGE CAPITAL HOLDERS HAVE REPORTEDLY LONG SINCE GOTTEN THEIR MONEY OUT.

(D) (PARA 3 ALSO): ILLEGAL TRANSACTIONS LEADING TO LOSS OF FOREIGN EXCHANGE INCLUDE FOLLOWING: OVER-INVOICING IMPORTS AND UNDER-INVOICING EXPORTS (PRACTICE WHICH WAS WIDESPREAD AND PROBABLY ON AN EVEN LARGER SCALE PRIOR TO THE FRELIMO-LED GOVERNMENT TAKE-OVER IN SEPTEMBER); PURCHASE OF FOREIGN EXCHANGE THROUGH BLACK MARKET AT OVER THREE TIMES OFFICIAL RATE; EXPORT OF MOZAMBIQUE SILVER COINS; AND PURCHASE OF AROUND-THE-WORLD AIRLINE TICKETS WITH BLACK MARKET ESCUDOS.

(E) (PARA 3 ALSO): GOVERNMENT MEASURES HAVE PROBABLY BEEN EFFECTIVE IN REDUCING THIS FOREIGN EXCHANGE LEAKAGE AND INCLUDE: CLOSE SCRUTINY OF IMPORT AND EXPORT CONTRACTS TO DETECT FRAUDULENT PRICING, AS WELL AS THE ESTABLISHMENT OF MINIMUM EXPORT PRICES FOR COMMODITIES IN LINE WITH INTERNATIONAL PRICE MOVEMENTS; SEVERE PUNISHMENT FOR INDIVIDUALS CONVICTED OF BLACK MARKET OPERATIONS; INSPECTION OF PERSONAL EFFECTS SHIPMENTS OF SUSPECT INDIVIDUALS (RECENTLY APPREHENDED \$2,000 WORTH OF SILVER MOZAMBIQUE COINS BEING AIR FREIGHTED); RECENT LEGISLATION (LM A-187) REQUIRING RESIDENTS OF MOZAMBIQUE TO PURCHASE AIRLINE TICKETS ONLY WITH FOREIGN EXCHANGE AUTHORIZATION AND NON-RESIDENTS ONLY WITH FOREIGN EXCHANGE.

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EM COMMENT: WE HAVE DISTINCT IMPRESSION FINDING SOLUTION TO CURRENT BALANCE OF PAYMENTS CRISIS HAS ONE OF HIGHEST PRIORITIES IN MOZAMBIQUE GOVERNMENT, MAINLY BECAUSE OF THE NEED TO IMPORT BASIC CONSUMER ITEMS (FOOD, MEDICINE) AND BECAUSE SO MUCH OF MOZAMBIQUE'S INDUSTRY DEPENDS ON IMPORTED RAW MATERIALS, PARTICULARLY POL. SPECTORS OF SEVERE FOOD SHORTAGE AND UNEMPLOYMENT ARE GREAT CONCERNS. WE ARE CONFIDENT THAT FOREIGN

EXCHANGE SAVED BY ANY COMMODITY SUPPORT PROVIDED TO MOZAMBIQUE
AT THIS TIME WOULD BE USED FOR IMPORTS RATHER THAN FOR RE-
PAYMENT OF DEBT--WHICH IN ANY CASE FRELIMO BELIEVES CAN BE
RESCHEDULED WITH ITS CREDITORS.
WALKER

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